



To Highlight the Added Values for the Core Business provided by Facilities Management

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NordicFM Working Group:

To Highlight the Added Values for the Core Business provided by Facilities Management

PER ANKER JENSEN AND OLE EMIL MALMSTRØM

INTRODUCTION

NordicFM started in 2003 based on an initiative from the Danish Facilities Management network (DFM) to develop the collaboration on FM among professional actors in the Nordic countries. It was initially formalised as a 3 years project with funding from Nordic Innovation Centre (NICE). Besides 7 FM-networks/-associations from the 5 Nordic countries – DFM in Denmark, FIFMA in Finland, FASTI in Iceland, NfN and NBEF in Norway, and IFMA-Sweden and Aff in Sweden – several private companies as well as educational and research institutions within the field of FM joined the project. NICE is a common Nordic governmental foundation under the Nordic Council of Ministers, and they financed travel and accommodation costs for meetings during the three years project period. Ole Emil Malmstrøm was overall project manager and representing the board of DFM in the project management group. A lot of networking was established between the participants personally by working across the Nordic countries with several projects of great interest for the directly involved people first of all.

At the end of three years financial support from NICE in 2006 it was decided to reorganise NordicFM to continue as a permanent network organisation. A more formal structure was set up in such a way that the networks in the 5 Nordic countries from then on have financed NordicFM and formed the board. All networking and professional development in NordicFM is now organised through the national networks/associations.

The new board of NordicFM defined 5 focus areas for the future work on developing the discipline of Facilities Management in the Nordic countries, and they were formulated as 5 projects of common interest. For practical and economical reasons each of the 5 projects was hosted by one of the 5 national associations, and participants in the projects had to cover their own expenses to take part in the meetings held in the project host country. The 5 projects were:

- A. Promote a common understanding of Facilities Management, including the need for definitions and measuring tools for services (Hosted by FASTI, Iceland).
- B. Implement new standards for Facilities Management in the Nordic countries including certification criteria (Hosted by Aff, Sweden).
- C. Develop a Nordic platform for Benchmarking (Hosted by NBEF, Norway).
- D. Highlight the added values for the core business provided by Facilities Management (Hosted by DFM, Denmark).
- E. Formulate common requirements for Facilities Management education and training. (Hosted by FIFMA, Finland).

The idea to project D: “Highlight the added values for the core business provided by Facilities Management” first came from Olav Egil Sæbøe, NfN, Norway, who pointed out the importance for FM to be able to visualize and communicate the benefit from FM to the business community, the top management in the enterprise, and to the society. NordicFM stated the purpose of the project as:

“There is a need for describing the influence Facilities Management has on the organisation. The purpose for this project is to bring together better understanding of the added values provided by Facilities Management by arguments and cases from the Nordic countries.”

The objective was to highlight the added values for the core business provided by Facilities Management:

- To underline the issues and content of Facilities Management, how it affects the core business and it's a vital link in order to implement the core business strategy.
- To establish a note or tool for Facilities Managers to highlight how Facilities Management can provide added value for the core business.
- To give a number of conference presentations in order to influence the thinking in Nordic organisations and the debate in the Facilities Management companies and associations.
- To attempt to quantify the added values for the core business provided by Facilities Management.

THE WORKGROUP

Ole Emil Malmstrøm became project leader and chairman of a workgroup. The first meeting took place February 2007. The workgroup held 7 meetings with the last in March 2008. There were members from all 5 countries associated to the workgroup, but only members from Denmark, Norway and Sweden participated in the meetings, which all were held in Copenhagen. Below the members that participated in meetings are listed in alphabetic order:

- Arne Gilje, Sector Manager, Statoil ASA, Member of the board of NfN, Norway.
- Göran Albertsson, Head of Development, COOR Service Management, Sweden (today independent consultant).
- Jørgen Jakobsen, Former Nordic Real Estate & Site Operations Manager, IBM Nordic, Denmark.
- Hans Torp, Facility Management A/S, Denmark (today Jysk Kemi Service A/S).
- Lars E. Mitens, Divisional Director, Engineering & Technical Operations, H. Lundbeck Pharma A/S, Denmark (today Århus University).
- Leif Møllebjerg, Senior Director, LSC Facilities, LEGO Systems A/S, Denmark.
- Ole Emil Malmstrøm, Division director, M.Sc., Kuben Property Management A/S, Member of the board of DFM, NordicFM, and EuroFM, Denmark (today Real-FM).
- Per Anker Jensen, Professor, M.Sc. PhD, MBA, Technical University of Denmark, Department of Management Engineering. Head of Centre of Facilities Management - Realdania Research, Denmark.
- Poul Henrik Due, Chief Consultant. Danish Technological Institute, DFM secretariat (today COWI).

All the participants came from private companies, except for Per Anker Jensen and Poul Henrik Due.

UNDERSTANDING ADDED VALUE OF FM (Ole Emil og Per)

The NordicFM project took its starting point in the definition in the European standard: FM is “the integration of processes within an organisation to maintain and develop the agreed services which support and improve the effectiveness of its primary activities” (CEN, TC348, 2006). However, the workgroup stressed that FM not only encompasses the “agreed” services but also the strategic dialogue and activities involved in identifying and defining the services.

To be able to discuss the added value for the core business provided by FM, it was necessary to separate FM responsibilities, tasks, and activities from core business responsibilities, tasks and activities. The project therefore defined that: “Core business is what the board of directors (and the CEO) decides to be the objective for the organisation”.

The workgroup decided to focus on all other effects of FM-activities than just cost reduction. Even though the selling point for FM often is the visible and easy explained reduction of costs, the added value provided by FM has much more economical value for the core business, besides the FM contributions to the two others elements in the “Triple bottom line” - the environmental and the social aspects.

This understanding is of great importance for strategic decision making among top managers, but it is difficult to explain and convince top management of exactly this. The workgroup noticed that IT professionals apparently have been more successful in meeting this challenge in their field. The top management seems in many corporations to be much more aware of the strategic importance of IT than of FM. The group developed an illustration of the relationship between FM and core business in terms of cost reduction versus added value as shown in Figure 2.1.

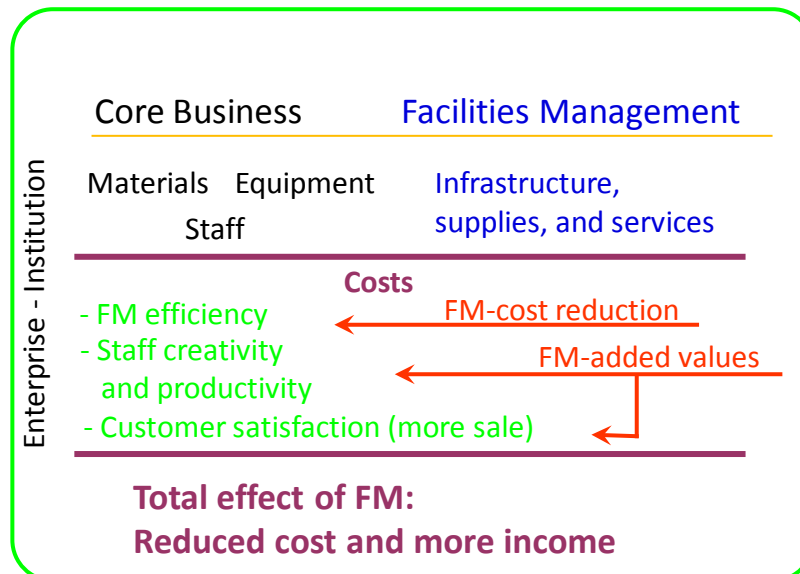


Figure 2.1: Core business and FM - added value and cost reduction

Cost reduction in FM is seen related to the internal efficiency of FM, while added value of FM has direct impacts on core business in terms of staff creativity and productivity as well as customer satisfaction leading to increased sale and income.

The group reckoned that professional FM should be able to reduce the cost of FM with at least 20%. However, the FM cost is a minor part of the total cost of running a corporation. Therefore, if FM adds value to the core business, the total effect can be must greater than by reducing cost. This is shown by an example in Figure 2.2. Here the FM cost represents 30% of total cost from the outset. This means that a reduction of 20% in FM cost leads to a 6% reduction in total cost, but the effect of 20% added value will lead to a total benefit of 20% for the corporation.

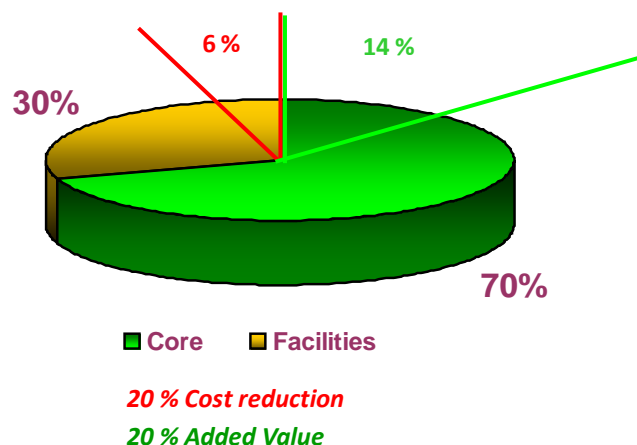


Figure 2.2: The potential of FM added value and cost reduction

The group also found inspiration in information from the recently established FM organisation Copenhagen Property in the Municipality of Copenhagen. Copenhagen Property had made estimations showing that 50% of the political decisions in the city council had direct or indirect influences on the municipal facilities and thereby also on the cost of managing and operating them. Copenhagen Property had also made strategic plans for the development of their organisation over a number of steps from caretaker to innovator as shown in Figure 2.3. The added value to the customers is expected to increase along with more maturity.

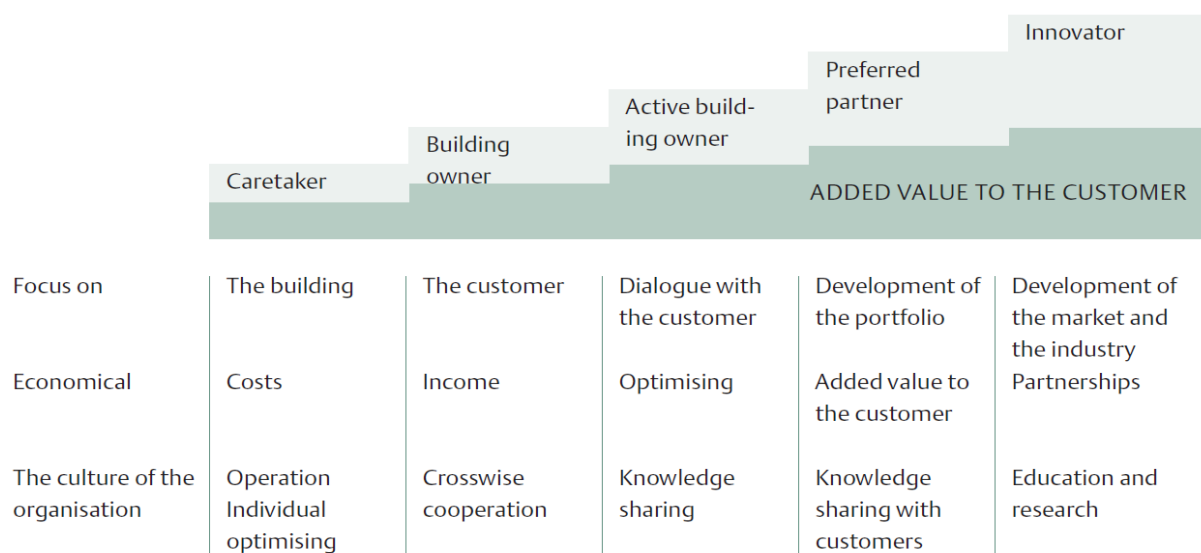


Figure 2.3: Organisational maturity and added value (Jensen et al., 2008)

MEASURING ADDED VALUE

There is a saying that: “What can be measured can be managed”. Compared to cost, added value is often very difficult to measure. How is it then possible to manage FM activities providing added value to the core business? The group developed several diagrams to illustrate added value and cost reduction. One of them is Figure 4.1 in chapter 4.

One of the participants in the group was Leif Møllebjerg, senior director and head of facilities in LEGO. He presented the way they work with setting quantitative objectives and measuring value add of FM using the so-called value add equation. This is further described in the case about LEGO in chapter X on FM and value adding.

Another way of demonstrating the added value of FM was the FM Value Map developed by Per Anker Jensen, both as part of the workgroup and a parallel research project as described in details in chapter 3.

CASES

One of the main results from the workgroup was a collection of cases and the intention was to include a number of these in a small popular publication aimed at decision makers in organisations. A journalist was engaged to work on the presentation of the cases sponsored by one of the participating companies, but when the company was restructured, the funding for this work disappeared. Therefore, the cases from the workgroup have only been presented orally and in the form of PowerPoint-slides. The following is the first publication of most cases.

The total list of cases from the workgroup included 21 cases from all five Nordic countries. Out of these, four were based on research as part of the project FM Best Practice in the Nordic Countries at the Technical University Denmark mentioned earlier and further presented in chapter 3 (Jensen et al., 2008) and one was based on research by Anna-Liisa Lindholm (2008), Aalto University, Finland, who is author of chapter X (?). Another case was based on a national Danish project on FM in municipalities (Due, 2007). Those cases have all been published earlier.

The remaining 15 cases came from three companies represented in the group. The presentation in the following will focus on these. The Danish pharmaceutical company Lundbeck and the Swedish FM provider Coor Service Management each provided 4 cases and the Danish construction toy producer LEGO provided 7 cases. It should be noted that the cases were collected in 2007 and 2008, so they may not reflect the current situation in the companies.

The workgroup suggested a standard format for short descriptions of the cases starting with **characteristics** followed by **benefits** and finishing by **consequences**.

The 4 cases from Lundbeck all followed the standard format and were provided in English. These cases were tested in relation to the FM Value Map. They are shown in Table 2.1 with summarised texts and presented in order of increasing number of impacts according to the test with the FM Value Map as shown in table 3.2 in chapter 3.

Table 2.1: Cases from Lundbeck

Case	Characteristics	Benefits	Consequences
1. Support to production	In the former organisational set up technical support was decentralised. At the same time the equipment became more and more technical complicated and demanded a higher number of technical disciplines. It was concluded that the production department in the end would face increasingly difficulties to comply with this challenge. It was therefore decided to transfer the decentralised resources to the FM unit and they got responsibility for the technical support to production.	All changes and technical jobs are logged in the maintenance system. Increased flexibility in planning and coordination of resources. Better possibility to develop the competences.	Increased competence and knowledge by the technical personnel and higher availability of the production lines for the core operation.

2. Standard spare parts and components	An analysis of the need for spare parts for maintenance and components for technical projects led to a decision to establish a storage facility. This also gave the foundation to work for a standardization of components by establishing positive lists. All technical projects for refurbishment and new buildings have to comply with these lists of preferred components.	Buying power was increased. Components for maintenance jobs and refurbishment performed by external suppliers are now purchased.	Economical benefit and higher reliability and availability for core operation.
3. Calibration of scales	Earlier the laboratories entered agreements for service and calibration, when a new scale was purchased. The labs focused on getting the service and best expertise offered by the vendor. The FM unit analysed how many different scales and service agreements the company actually had entered. This resulted in offering technical service and coordination to the labs. Later this gave the basis to establish an internal calibration lab for scales focusing at 80% of the range.	More than 30 contracts were harmonized and reduced to a few. Jobs could be expedited quicker at a lower cost. Calibration is controlled by the maintenance system and performed by specialists.	As calibration jobs are pooled more resources can be focused to get better internal or external supply/support agreements. The labs have gained time to focus on their core task.
4. Internal moving	Internal moving of people is an increasing need in the company. In order to increase speed and efficiency for the organisation, the FM unit started a development work. The workflow was analysed and developed during an event week (a kaizen week), where a number of involved persons/departments participated.	An update of the ordering system for moving on the intranet gives one point of contact. Fewer persons are involved and a simpler workflow has been implemented.	Fewer resources are spent, the requester gets the needed help and service is offered to the core business.

In case 1 about 'Production support' the impacts on the core business are mostly related to reliability, while the owners are the main stakeholder. In case 2 about 'Standard spare parts and components' the impacts are on both cost and reliability and the owner is also the main stakeholder. In case 3 on 'Calibration of scales' the impacts are cost, productivity and reliability and the stakeholders are both owners and staff. In case 4 on 'Internal moving' the impacts besides cost and productivity also includes satisfaction and adaptation. Here the stakeholders are also both owners and staff.

Out of the four cases from Coor Service Management (in the following shortened 'Coor') three followed the standard format, but they were provided in Swedish, while the last case on 'Energy considerations' was only very briefly described. The three cases shown in Table 2.2 has for this publication been translated to English and edited by the authors. These cases are not surprisingly characterized by a focus on what benefits an FM provider can create for a client and these are in general cost dominated. The interesting thing is that they show examples where not only intended cost reductions are obtained but also major unexpected consequences are discovered leading to reductions in unnecessary cost or avoiding unnecessary expenses.

The 7 cases from LEGO were not presented as structured as the other cases and they varied in the degree of detail. One case on 'Work life balance' was very briefly described. Table 2.3 presents the other 6 cases from LEGO edited in accordance with the standard format.

The workgroup considered a categorisation of the cases with a division on one dimension in 'Physical Facilities' and 'Service Processes' and on the other dimension in 'Public' and 'Private'. The first division resembles the distinction between demands related to 'Space & Infrastructure' (S&I) and 'People & Organisation' (P&O) in the European FM standard on 'Terms and Definitions' (CEN/TC348, 2006). The workgroup did not categorise all the cases, but such a categorization has been done as part of the work on this chapter.

The result is shown in Table 2.4. It uses the terminology in the European standard but with 'FM in general' and 'Public-Private' added as headings on the two dimensions, respectively. The reason for adding 'FM in general' was that several cases cover both S&I and P&O and the reason for adding 'Public-Private' is that the case from Iceland is about a Public-Private Partnership and case 3 from Coor is with a public hospital as client. The table shows that the cases concerning S&I are very dominant with 12, while there only are 3 cases concerning P&O. Cases from private companies were also dominating with 16. Therefore, the cases cannot be seen as representative for FM as a whole.

The 15 cases from Lundbeck, Coor and LEGO represent most of the cases from private companies. The 13 cases presented in table 2.1-3 were categorized as follows. All cases from Lundbeck is related to S&I, while case 2 from Coor is related to S&I and case 1 and 3 to P&O. The LEGO cases 1 and 4 are seen as FM in general, while case 2, 5 and 6 are related to S&I and case 3 is related to P&O. All together the cases from the 3 companies can be seen as representing a broad and diverse spectrum of FM cases in private companies.

The workgroup did not go into more detailed analyses of the cases, but looking at the cases now, it is striking that many of the cases involves a change in responsibility.

Among the cases from Lundbeck there are examples, where the responsibility for tasks is transferred from core business to FM. In case 1 staff responsible for technical production support like maintenance of machinery is transferred from various production departments to the FM unit. In case 4 the FM unit implements a new streamlined process for managing internal moves, which means that the coordination of the necessary tasks is transferred from the individual core business employee to the FM unit supported by a system on the company intranet. This is a typical service management innovation, which relieves the customers from trivial tasks and implements a smooth service delivery.

Table 2.2: Cases from Coor Service Management

Case	Characteristics	Benefits	Consequences
1. Work wear provision	The client had a cloth automat, which was serviced by an employee, who filled it up with clean cloth and emptied the dirty cloth for washing. The washing company delivered the clean cloth and removed the dirty cloth by the automat. The packaging and transportation was awkward for the washing company. The FM provider took over the work for the client and serviced the automat as part of the cleaning round every morning and did packaging and transportation to a loading bay based on a separate agreement with the washing company.	Through a more efficient service process with fewer people involved the cost was reduced and the client's employee were relieved to do other work in the core business.	The list of cloth were checked against the actual volume and the number of staff. The volume was optimised resulting in comprehensive reductions in unnecessary cost.
2. Waste disposal	The client had a container for disposing packaging and other rest products. The core business was assembly of heavy vehicles. There were no sorting of the rest products. The FM provider was asked to establish a sorting station. To identify the fractions and their volume and frequency needed for emptying, the FM provider started by emptying a full container and sorted the content by hand. During sorting the FM provider discovered, that there were new spare parts among the rest products.	By sorting the rest products the direct cost of waste disposal were reduced and the company's environmental load was also reduced.	It turned out that the assembly staff found it too awkward to return wrong spare parts, so they preferred to dump them among the rest products. This discovery caused major reductions in unnecessary extra cost.
3. Healthcare	The client's nurses and other staff ordered and received deliveries of cloth, washing and other materials to hospital wards. There were a lot of people involved, but none with special competences for these tasks. The FM provider was asked to take over the responsibility for these tasks.	Through involvement of staff dedicated and trained to these tasks, the work process became more efficient and quicker.	Less products had to be rejected being outdated. The nurses, which there are too few of in Sweden, could concentrate on the healthcare.

Table 2.3: Cases from LEGO

Case	Characteristics	Benefits	Consequences
1. The glue in the organisation	FM has the responsibility to manage a wide scale of elements supporting the core business. The business units and departments of the core business focus on their special task. FM acts and communicates across and right through the company. FM can initiate knowledge sharing and collaboration across.	FM provides and facilitates the best conditions and circumstances for the employees so they can manage their own life.	FM has to consider the needs of the whole company. FM is important to make the whole company stick together.
2. Working environment for creativity	The working environment needs to be differentiated according to the needs of different departments. The developing department needs an environment, which supports the creativity of the staff at work.	FM provides the best, most inspiring and creative environment for developing people.	The growth of the company is supported by making an environment that attracts the right people.
3. Health and Safety (H&S)	As FM is the only function in the company which is on all locations, dealing with and supporting all core business functions in the company. For that reason it comes naturally to concentrate the responsibility for H&S at FM.	FM has the widest knowledge only. One unit has global responsibility for H&S.	FM is able to secure H&S at work in the whole company.
4. The public view on the environmental policy and performance	As FM is the only function in the company which is on all locations, dealing with and supporting all core business functions in the company, FM has the widest all round knowledge only. For that reason it comes naturally to concentrate the responsibility for coordinating, taking care of, and to communicate the environmental policy of the company to the outside world.	Example of cleaning floor carpets. The cleaning frequency has been changed from 5 to 2 times a week to prolong the lifetime of carpets.	It's an assignment for FM to manage the view from the outside world on the environmental policy of the company.
5. Energy saving	In attempts to save energy in the supply of cooling of production machines, the FM department suggested to increase the temperature of the cooling water. They managed to get the production department to make an experiment which turned out to be very successful. FM provoked the production department away from traditional thinking.	There were large cost reductions by energy savings and a more sustainable production.	An unintended added value was less corrosion on casting forms and a longer living times of the extremely expensive forms.

6. Coordination of storage space	If every department in a company creates its own policy and manages their own needs for storage space, storage in the company will be ineffective and extremely expensive. FM is able to manage the needs of storage for the whole company	Coordination of the storage space needed by the different department in the company saves much space and money.	FM can optimise from the perspective of the whole company and avoid sub-optimisation.
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Table 2.4: Categorisation of the 21 cases

	FM in general	Space & Infrastructure	People & Organisation	Total
Public	2	1	0	3
Public-Private	1	0	1	2
Private	3	11	2	16
Total	6	12	3	21

Several cases from LEGO also indicate such a change in responsibility, but they are not so explicitly described as a change process. FM is as explained in case 1 from LEGO the glue that sticks the company together exactly by being responsible for facilities on behalf of and from the perspective of the whole corporation.

The other two cases from Lundbeck also represent changes in responsibility, but in these cases it is more between the FM unit and service providers. In case 2 about standard spare parts the purchasing is transferred from each individual provider to the FM unit. In case 3 the tasks of calibrating scales are transferred from the vendors of each piece of technical equipment involving scales to the FM unit.

All these examples of transfer of responsibility represent centralisation of tasks from either core business or service providers to FM. Centralisation of management is a general feature of professional FM, but it seems like centralisation of tasks and responsibilities is an important element in the possibility for FM to create added value – particularly for in-house FM organisations.

Two of the cases from Coor also provides examples of changes in responsibility, but here the responsibility is transferred from in-house to the external service provider. In case 1 the work in relation to provision of work wear is taken over by the service provider, who reorganises the work process and the internal employee is relieved to do other work for the core business. In case 3 the responsibility for ordering and receiving deliveries for hospital wards are transferred to the service provider, who involves dedicated and trained staff to do the work, and the nurses and other internal staff are relieved to do the healthcare core business work. It is not surprising that transfer of responsibility from in-house is an important aspect of adding value for service providers. That is an essential element in outsourcing, which is the basis for most FM service providers' business. However, none of the two cases are part of an outsourcing process involving tendering and transfer of staff, but part of on-going collaboration between providers and clients.

On-going collaboration can in general be an important leverage for adding value in FM. That is often seen in partnerships between client and providers, but it can just as well be in collaboration between core business and in-house FM organisations. Case 5 from LEGO is a good example, where energy savings and even an improved production process was obtained, when the FM department provoked the production department away from traditional thinking.

CONCLUSION

The establishing of the NordicFM workgroup is a clear indication that it is highly important but also a major challenge for practitioners to make the added value of FM visible. The work has provided a number of proposals to meet to this challenge, and it has had an important impact in raising the topic to the top of the FM agenda in Europe. The results of the workgroup have been disseminated to other practitioners with presentations by Ole Emil Malmstrøm at several FM conferences and meetings in the Nordic countries. The FM Value Map and the LEGO FM Value Add Equation has also been presented at FM conferences around Europe and published in both popular and scientific journals internationally. This book is also partly a spin-off of the workgroup.

The work has revealed a number of dilemmas and challenges. There is a dilemma between what can be measured and what really matters. Simple illustrations and key figures often lead to the most radical decisions from the top management – even though the decisions are based on sensations also (“gut feelings”). There also is a dilemma or a need to balance the long term strategic view contra the short term economical considerations. The ability to listen to the FM customers and to translate the needs and demands to solutions with a holistic view is a major challenge.

The work has also resulted in some important learning. The perspective of added value forces the facilities manager to focus on the strategic aspects and qualitative impacts of the facilities on the organisation. There are, however, huge differences in how one perceives FM and added value in different types of companies, for instance between an enterprise with heavy investments in expensive production machinery and a knowledge based company or institution as consultants or service enterprises. Finance is always important for top managers and a dialogue about cost reductions can be used by the facilities manager as a stepping stone to get into a dialogue with top management about long term strategic and qualitative objectives. An important driver for added value is to recruit and retain highly competent and creative knowledge workers and managers. Most people agree that a welcoming environment has a positive effect on satisfaction and performance, but it is difficult to find hard evidence. An attractive environment for the staff leads to better customer experiences and all together to added value for the organisation. It is also important to notice that cost reductions can result in loss or lack of value – the opposite to added value - if not being managed carefully. The possible added value of FM on society should also be taken into account.

Finally please remember the expression, that Ole Emil Malmstrøm usually concludes his presentation of the work with:

"To save cost can be done by every bookkeeper - To create added value can be done by a professional Facilities Manager only!"

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